

22 August 2025

**CQS New City High Yield Fund Limited  
("NCYF" or the "Company")**

**Monthly Factsheet as at 31 July 2025**

The Company's Fact Sheet as at 31 July 2025 has been submitted and is available for inspection on the Company's website, <https://ncim.co.uk/cqs-new-city-high-yield-fund-ltd/>.

**Ian 'Franco' Francis, Investment Manager at New City High Yield Fund, comments:**

"Despite the higher inflation level in June at 3.6%, the UK economy is still weakening with the S&P Global Flash UK PMI Composite Output Index at 51, down from 52 in June. Most of the fall was accounted for by a weaker service sector, whilst the manufacturing output improved to a 9-month high. This continued subdued business confidence, because of the last budget that resulted in increasing staff costs, was reflected in the sharply reduced headcounts in July.

The weakness in the jobs market and the lack of significant growth in the economy will add pressure on the Bank of England to cut rates further in their August meeting. The continued pressure on the UK Government's well-publicised black hole, which is approaching £50 billion, will no doubt heap pressure on Chancellor Rachel Reeves to raise taxes again in October, without even taking into account inflation. This is because of the Government's given promise of not hitting the "Working Person"; these are likely to include an increase in Capital Gains tax and a further attack on private sector pensions.

The pushback from the Labour Party's back benches on cutting benefits or reigning back public sector pay and pensions are unlikely to feature. We believe that the country can no longer afford to fund such a large public sector with the large pension liability going forward. It is only a matter of time before markets take this into account and, as a result, there will likely be higher rates of Government borrowing and a weaker currency.

More positively, Europe looks to be finally turning the corner and regaining some momentum. Manufacturing continues to claw its way out of recession, as the service sector increased its growth rate to the fastest in six months. Looking a little deeper, Germany's manufacturing sector is leading the recovery, giving the whole German economy a push back into overall growth. Meanwhile, France is still seeing contraction. A recovery in the French economy will be key to the long-term growth across the eurozone.

As for the Trade agreement with the US, 15% Tariffs for the European Union are not as good as the UK managed with 10% so hopefully a benefit for the UK manufacturers. The Flash PMI results from the US indicate that the economy is growing at an annual rate of 2.3%, which is 1% higher than the previous quarter. Sustainability is a question as this is still service sector-led. US manufacturing decelerated as orders decreased as the front running of tariffs faded alongside decreased Federal Government spending. Inflation is still a factor, with tariffs and labor shortages causing increasing costs. Many economists are forecasting increased inflation in July above the 3% annualised seen in June. Whilst President Trump may rage at the Federal Reserve for not cutting interest rates, conventional wisdom would be "higher for longer" to keep in control of inflation.

July for the Company marked the announcement of the fourth interim dividend of 1.51p/share payable at the end of August.

For the Company's portfolio, it was a quiet month with the sale of its remaining holding of Croma security equity and the opening of a new holding in Chesnara 8.5% perpetual a life and pension consolidator in Europe.

**-ENDS-**

**For Further Information**

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## About CQS New City High Yield Fund Limited

CQS New City High Yield Fund Limited aims to provide investors with a high dividend yield and the potential for capital growth by investing in high-yielding, fixed interest securities. These include, but are not limited to, preference shares, loan stocks, corporate bonds (convertible and/or redeemable) and government stocks. The Company also invests in equities and other income-yielding securities.

Since the Fund's launch in 2007, the Board has increased the level of dividends paid every year. As at 31 December 2024, the Company's dividend yield was 8.79%. In addition to quarterly dividend payments, the Fund seeks to deliver investors access to a high-income asset class across a well-diversified portfolio with low duration to help mitigate interest rate risk.

Further information can be found on the Company's website at <https://ncim.co.uk/cqs-new-city-high-yield-fund-ltd/>

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